

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: January 14, 2008

Bill Number: S.B. 975

Author: Elliott

Committee Requesting Impact: Senate Finance Committee

Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 12-21-635 so as to impose an additional tax of 2.15 cents per cigarette, and to establish the South Carolina Health Care Fund and to provide that the revenue generated by this additional tax must be credited to this fund and appropriated annually by the General Assembly to address health prevention and health care needs of South Carolinians.

REVENUE IMPACT ^{1/}

This bill is expected to increase business license tax revenue by an estimated \$141,349,908 in FY2008-09. This bill would also reduce General Fund business license tax revenue by an estimated \$3,106,775 in FY2008-09.

Explanation

This bill would add Section 12-21-635 to impose an additional license tax on each cigarette made of tobacco or any substitute for tobacco equal to 2.15 cents on each cigarette. This equates to a 43-cent surcharge on each pack of 20 cigarettes, raising the state excise tax to 50 cents per pack of 20 cigarettes. The higher surcharge is expected to generate an estimated \$141,349,908 of business license tax revenue in FY2008-09. The additional funds must be deposited in a separate and distinct fund in the State Treasury styled the South Carolina Health Care Fund. The General Assembly shall annually appropriate monies from the South Carolina Health Care Fund to address health prevention and health care needs of South Carolinians. The funds may also be used as Medicaid matching funds. All earnings on investments in the fund must be credited to the fund and used for the purposes stated above. Because the higher tax will reduce cigarette demand, the Business License tax currently allocated to the General Fund will be reduced by an estimated \$3,106,775 in FY2008-09.

/s/ WILLIAM C. GILLESPIE, PH.D.

William C. Gillespie, Ph.D.
Chief Economist

Analyst: Martin

^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.